


State of California

MEMORANDUM

DATE: August 8, 2008
TO: Michael Yarber
FROM: Gregg Wardrip 
CC: John O'Keefe
SUBJECT: Lake County Community Action Agency

The Department of Community Services and Development (CSD) Audit Services Unit (ASU) performed a limited examination and review of Lake County Community Action Agency on July 22-24, 2008. The purpose of the review was to follow-up on administrative findings noted in CSD program correspondence in 2007 and 2008, and to address the need for the agency to submit an annual audit to CSD under *Government Auditing Standards*.

BACKGROUND

Lake County Community Action Agency (LCCAA) is the designated Community Action Agency (CAA) for Lake County and receives an annual contract from CSD under the Community Services Block Grant (CSBG) program. Due to the relatively small population of Lake County, the agency receives the minimum funding level for its CSBG contract. The current minimum funding level is \$243,054, which represents a \$70,000 increase for the 2008 program year. The funding amount of \$243,054 is provided by contract number 08F-4918, which has a term of January 1, 2008 through December 31, 2009.

ISSUES

CSD noted a number of findings and issues in recent program monitoring visits and desk review reports, including the following:

1. **Annual audit**--The agency has not submitted an annual audit to CSD for several years due to the fact that the agency receives less than \$500,000 in federal funds under the guidelines of OMB Circular A-133. However, the contract requires an annual audit and the agency should submit an audit report under the guidelines of *Government Auditing Standards*.

2. **Board vacancy**—CSD identified board vacancies in prior program monitoring visits and desk reviews.
3. **Late reporting**—CSD identified a pattern of late submission of program reports in prior monitoring reviews. CSD identified the agency's small staff as the primary reason for late reporting.
4. **Discretionary**—CSD identified in prior monitoring reviews that contract goals were not achieved.
5. **Fiscal policies and procedures**—CSD identified inadequate fiscal policies and procedures in prior monitoring reviews.
6. **Client intake**—CSD identified the need to establish client intake procedures in prior monitoring reviews.
7. **Procurement policies and procedures**—CSD identified the need for improved procurement policies and procedures in prior monitoring reviews.

OBSERVATIONS

CSD reviewed numerous documents and held extensive discussions with the Executive Director, Georgina Lehne, and the contracted fiscal officer, Melissa Fanning, CPA. The agency has made significant progress on all of the issues identified above.

1. The agency has an annual audit prepared by an independent auditor who is a Certified Public Accountant (CPA). The audit for the fiscal year ending December 31, 2006 was completed under *Government Auditing Standards* and includes the CSBG contract; however, the agency has not been submitting the annual audit to CSD. During the visit, the Executive Director provided a copy of the audit report for the fiscal year ending December 31, 2006. A review of the audit report shows that there are no current or prior audit findings. The audit for FYE December 31, 2007 is in progress, and the agency has agreed to submit the audit to CSD on an annual basis.
2. The board vacancy has been filled and the agency is in compliance.
3. The agency has made significant progress in submitting reports on time, as all expenditure reports in 2008 have been timely. The agency is recruiting for a new administrative assistant position which will provide additional staff support. It is anticipated that the hiring of an administrative assistant will further improve the agency's ability to meet reporting deadlines.
4. The agency has made good progress on its Discretionary contract number 05F-4684. The agency submitted a status report to CSD dated June 27, 2008, and the agency expects to meet all goals of the contract by July 2008.
5. The agency has adopted acceptable fiscal policies and procedures.
6. The agency has adopted an acceptable client appeal/complaint process. It should be noted that the agency has expanded its programs in recent years and has made significant progress in becoming a full-service CAA for Lake County. For example, the agency has been recognized by local officials for its efforts to develop a shelter house for homeless youth.
7. The agency has improved its procurement policies and procedures.
8. CSD reviewed the agency's financial and accounting system and traced

expenditures charged to the 2008 CSBG contract. The review included the agency's cost allocation plan. The following costs were reviewed: rental costs, salaries, fringe benefits, equipment lease, and utility costs.

9. The agency also provided copies of the following documents: articles of incorporation, tax-exempt status, board of directors roster, board minutes, organization chart, and program documents.

RECOMMENDATIONS

1. The agency shall submit an annual audit to CSD under the guidelines provided by *Government Auditing Standards*. The audit report shall be submitted to CSD within nine months after the end of the agency's fiscal year. Note: The agency provided a copy of its latest audit report during the limited examination and review and has already engaged an independent CPA to conduct the annual audit for FYE December 31, 2007, which is in progress. The agency has agreed to submit the annual audit to CSD as recommended above. According to the executive director, the audit will be completed prior to September 30, 2008.
2. The agency shall complete the recruiting process and hiring of an administrative assistant, which will assist the agency with meeting reporting requirements under the CSBG contract.